

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: Strategic Factors in Business Cycles

Volume Author/Editor: John Maurice Clark

Volume Publisher: NBER

Volume ISBN: 0-87014-023-X

Volume URL: <http://www.nber.org/books/clar34-1>

Publication Date: 1934

Chapter Title: Table of contents, introduction

Chapter Author: John Maurice Clark

Chapter URL: <http://www.nber.org/chapters/c2314>

Chapter pages in book: (p. -17 - 0)

STRATEGIC FACTORS IN BUSINESS CYCLES

JOHN MAURICE CLARK

WITH AN INTRODUCTION BY
THE COMMITTEE ON RECENT
ECONOMIC CHANGES

A PUBLICATION OF THE
NATIONAL BUREAU OF ECONOMIC RESEARCH
IN COOPERATION WITH THE
COMMITTEE ON RECENT ECONOMIC CHANGES

NEW YORK : 1935

Reprinted 1949

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AUGUSTUS M. KELLEY, INC.**

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PUBLICATIONS OF THE
NATIONAL BUREAU OF ECONOMIC RESEARCH,
INC.

NUMBER 24

STRATEGIC FACTORS
IN BUSINESS CYCLES

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National Bureau of Economic Research,

Clark, John Maurice, 1884-

2,006,842

Strategic factors in business cycles, by, John Maurice Clark ; with an introduction by the Committee on recent economic changes. New York, Printed by H. Wolff, 1934.

xv, 238 p. 23¹/₂". (*Half-title*; Publications of the National bureau of economic research, inc., no. 24)

"A publication of the National bureau of economic research in cooperation with the Committee on recent economic changes."

1. Business cycles. 2. U. S. — Econ. condit. — 1918-Indus. 3. U. S. —
I. Conference on unemployment, Washington, D. C., 1921. Committee on recent economic changes. II. Title.

34-5068

Library of Congress

HB3711.C35

MATERIAL SUBMITTED BY PUBLISHER, 127³,

390.124

INTRODUCTION

BY THE COMMITTEE ON RECENT ECONOMIC
CHANGES

IN 1921, in the midst of the early post-War depression, the President of the United States called a national Conference on Unemployment to deal with urgent emergency problems. Out of this Conference came a series of important investigations, each sponsored by committees set up by the Conference.

In 1927 a continuing committee of that Conference was brought together under the chairmanship of Herbert Hoover, then Secretary of Commerce, designated as "The Committee on Recent Economic Changes of the President's Conference on Unemployment." Its purpose was to make a comprehensive fact-and-figure picture of the results of the working of economic forces during a major business cycle, assembled in the form of a descriptive record with statistical measurements, which should reveal the developing pattern of our economic evolution.

In order that this project might be carried out in a thoroughly scientific spirit, and be utterly free from partisan bias, the National Bureau of Economic Research, Inc. was enlisted by the Committee to assemble, assimilate and organize the factual and statistical material for study and interpretation. For

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this undertaking a group of fifteen of the most competent economists in the country was assembled by the National Bureau of Economic Research. To the broad background knowledge of this collaborating group the National Bureau added its wealth of statistical data and its facilities for progressively measuring the operation of economic forces, reflecting the actions of millions of human beings engaged in the normal processes of living.

In 1928 Arch W. Shaw succeeded Mr. Hoover as Chairman of the Committee on Recent Economic Changes, and early in 1929 the Committee's first report was brought out, a two-volume work covering the period from 1922 to 1928, entitled *Recent Economic Changes in the United States*, intended as a record, partly statistical and partly descriptive, of the ascending curve of the cycle which started after the depression of 1921 and carried through 1928.

When, a year later, the country entered upon the descending curve of the major cycle under observation, the part that public works might be expected to play in stabilizing our national economy was engaging the attention of thinking men. Inasmuch as this represented a field where a statistical picture could be made with reasonable promptness, and one which would fit into its broad program, the Committee sponsored a study, which was prepared at the National Bureau of Economic Research under the

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direction of Dr. Leo Wolman, and published as *Planning and Control of Public Works*.

In 1932 the developing pattern of our economic experience was further disclosed by the publication of a work by Dr. Frederick C. Mills entitled, *Economic Tendencies in the United States*. This book, published cooperatively by the Committee on Recent Economic Changes and the National Bureau of Economic Research, summarized and extended the record covered by the two-volume report already described. In this work Dr. Mills essayed the important task of bringing out the characteristics of the tendencies prevailing during the period preceding the current economic depression, in comparison with the tendencies prevailing during the period preceding the World War. This served to clarify many economic relationships which had previously been little understood.

In this program the Committee and its collaborator, the National Bureau of Economic Research, have been concerned chiefly with making a quantitative analysis by means of facts and statistics, picturing as they do the movement of commerce and industry—ships crossing the seas with cargoes of imports and exports, freight and passenger trains rumbling across the continent, the daily transactions in banking houses, stock and produce exchanges, wholesale establishments and retail stores—all representing the reality of life and the relation of industry
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STRATEGIC FACTORS IN BUSINESS CYCLES to industry and individual to individual. Without such a statistical and descriptive record as had been undertaken, representing the 'measurables' of our economic life, little progress could be made in the analysis or understanding of the motives and operations that underlie and affect the movement of economic forces.

All statistical measurements must of necessity be on a common basis if comparison is to be possible. In the statistical record compiled over the whole period covered by the Committee's program, whatever monetary units have been used have been in terms of dollars based on a constant relationship to gold. Early in 1933 the United States went off the gold basis. The Committee recognized this as a natural stopping point for its undertaking, and it determined to bring to a head as rapidly as possible all of the separate studies which formed its program of publication, thus fulfilling its mission at a time when the results would be of the most timely interest and service.

In line with this decision, there will follow as rapidly as they can be completed and prepared for the press, a study of "Profits" by Dr. Ralph C. Epstein; a study of "Prices" by Dr. Frederick C. Mills; a report on "Wages and Consumption," by Dr. Leo Wolman; a report on "Industrial Trends" by Dr. Willard L. Thorp; and possibly one or more additional reports or surveys.

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Meanwhile, the Committee sponsored a special study, from the descriptive and statistical record which had been assembled, to endeavor to disclose, so far as might be possible, what factors play an active role in throwing the economic mechanism out of balance and what factors adapt themselves passively to the changes produced by the active factors. It is this phase of the Committee's exploration which explains the present volume. While the statistical and factual record of the cycle was being made by the collaborating group of economists, Dr. Clark was a regular attendant at the meetings of the group. He participated in the discussions, studied the wealth of factual and statistical material which had been assembled, and assimilated much of the picture of our economic life which it reflected. Then, viewing the whole picture objectively, he essayed to make an appraisal and draw certain conclusions.

The present volume is the result. Intended to achieve a perspective on the pattern of our recent economic experience, it shows something of the evolving design and, in careful fashion as becomes a work by so eminent a student of economic theory, examines into the general direction the pattern is taking.

While Dr. Clark is responsible for the conclusions herein set forth, the Committee on Recent Economic Changes is pleased to offer this report of his findings as a valuable and timely contribution to current economic thought. Indeed, the Committee hopes

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that it may prove to be helpful in relating yesterday's economic experience to tomorrow's economic needs. For out of his intensive study of the pattern of our recent economic life Dr. Clark has endeavored to isolate what he terms the "strategic business factors"—strategic because they seem to have a causal influence upon the business cycle and are possibly susceptible of conscious control by the community. Highly suggestive, also, is his analysis of the character of and requirements for national economic balance, and the discussion of the means and possibilities of attaining and maintaining it.

The Committee is glad to have the opportunity of presenting an analysis of this character. It is also glad to add its emphasis to Dr. Clark's call for an improvement in the quality and quantity of the country's statistical services. But it realizes that effective results can be achieved only by putting to work the results of scientific analysis and continued statistical investigation in the realm of practical affairs. What is perhaps more needed at the present time than anything else is the development of means of coordinating and utilizing the experience of men of affairs and the results of economic research.

It is the Committee's belief that economic research itself is made more fruitful through contact between economists and men who are more familiar with business than with text books, for whatever scientific analysis has to contribute to human wel-

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fare must be done through the channel of practical application. Among the things which the Committee views with most satisfaction is that its work has made at least a modest contribution toward the achievement of some such union. In the carrying out of this work it has had the generous support of the Rockefeller Foundation, the Economic Club of Chicago, the Carnegie Corporation, and various socially-minded groups and individuals, whose support it here gratefully acknowledges.

Recognizing the timeliness of Dr. Clark's report, the Committee has been led to hasten its publication that it may serve the immediate need of clearer perspective. It is presented, not as a full and matured expression of the Committee's own collective viewpoint, but as the findings of an able thinker upon a broad problem of great significance at the present juncture in our social-political-economic life. It leads up to the great question that we face as a nation: which factors are and which are not amenable to purposive control by public or private agencies?

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(Resolution of October 25, 1926, revised February 6, 1933)

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